Agilent sheds its tail

Agilent Technologies Inc, spun off from it's 'new' upstart computer sector that kept the Hewlett Packard name in 1999, has now in turn shed its semiconductor products division. This major restructuring is intended to cut costs, raise cash and refocus on core test and measurment businesses.

The semiconductor products unit went to the buyout firms of Kohlberg, Kravis, Roberts & Co and Silver Lake Partners for $2.6bn. Agilent also divested its stake in Lumileds Lighting to co-owner Royal Philips Electronics for $950m.

It will also unload semiconductor and memory test, or 'system on a chip' business in 2006.

Selling the semiconductor unit frees Agilent to purchase other test and measurement businesses. Although the company will use some of the proceeds to repurchase stock, boosting shareholder value, it will have roughly $2bn in its war-chest. CEO William Sullivan said that the company's sharper focus and improved cost structure would let it increase its revenue growth rate to 10% from roughly 8% pa.

Agilent shares have "traded at a persistent 25% to 35% discount to peer companies since our inception," Sullivan is quoted as saying. "We've performed more like a sluggish semiconductor company. It's been a case of the semiconductor tail wagging the measurement dog."

In the subsequent trading, Agilent shares, which traded below the$41 initial public offering price for the past five years, rose around 14% to more than $30/share.

Agilent's test and measurement products specialise in both electronic and chemical sectors and work behind the scenes in a variety of applications. Test and measurement competitors include IBM, Tektronix and Teradyne, but Agilent probably holds a lead market position.

The company blamed weakness in its wireless and life sciences testing businesses for a decline in its 3Q sales and earnings, where revenues fell 10% to $1.69bn and operating profit declined from 30c/share to 28c/share.

Meantime, Hewlett-Packard Co, the world's largest printer maker and No 2 seller of PCs, saw its 3Q profit fall 88% on costs, from bringing back overseas earnings, beating analysts' estimates, and sending shares up.

Net income fell to $73m, or 3c/share, from $586m, or 19c/share , a year earlier, Sales rose 9.9% to $20.8bn in the quarter ended July. Earnings in the PC business rose sevenfold and server computers returned to profitability.

New CEO Mark Hurd cut 14,500 jobs to make up for a 7.8% slide in profit in printers, HPs biggest money maker. Shares of Hewlett-Packard rose $1.73, or 7.3%, to $25.43 and have gained 20% since Hurd, was named CEO in March.

Hewlett-Packard has beaten analysts' estimates in three of five previous quarters and the company is bringing the foreign earnings back to get cash to make "strategic acquisitions that we think help our business," said Hurd, who may soon be pressured to spinoff of the company's printer business and/or exit the PC market.

Electro-Optic markets for defence

A Forecast International study estimates that $6.4bn will be spent over the next 10 years on land and sea-based electro-optical systems. This includes thermal weapon sights, night vision goggles, combat vehicle surveillance systems, and naval fire control systems.

"*The Market for Land & Sea-Based EO Systems*" estimates that some 363,779 systems will be produced through 2014, with Raytheon, Northrop Grumman, ITT, Thales and Kollmorgen playing a large role. In terms of production, FI expects two of the biggest systems in the coming years will be ITT's PVS-7/14 series of night vision goggles and PAS-13 Raytheon's thermal sights.

Combined, some 253,950 of these are expected to be produced over the next 10 years, valued at around $1.5bn. For PAS-13, more than $165m worth of 2004 contracts has doubled monthly production rates to 1,000 units per month.

As the navies upgrade fleets, naval EO sensor manufacturers may find opportunities. US Kollmorgen, is taking orders for its Non-Penetrating Periscope (lenses in a tube through the hull results replace by a view screen). An estimated 15 NPPs are expected to be ordered to 2014 for the US Navy alone, at a value of $55.5m. Directed energy systems and capabilities are a new market. "Practical and relatively less expensive DE systems are making steady advances toward possible production," said Dardine.

Contacts: Web: http://www.forecast1.com/
Source: http://www.defenseindustrydaily.com/

‚GaAs & fiber-optic networks

The market for high speed fiber optic ICs will grow by 27% in 2005, from $280m in 2004, according to '*Fiberoptic Analog IC Market & Technology Dynamics,*' report from the GaAs & Compound Semiconductor Service, at Strategy Analytics.

After considerable stagnation, service providers are again purchasing optical capacity to meet growing traffic needs. OC-48 and OC-192 links will be central to this growth, and deployment of high capacity routers begins to stimulate OC-768 purchases. Overall, the market will grow at a 24% CAGR through to 2009.

Much of the upgrades will be for backbone infrastructure, and GaAs IC vendors will be at the heart of this development. While GaAs TIAs and post amplifiers will see increased competition from - mainly SiGe - alternatives, the crucial laser driver function will largely be the domain of GaAs at higher speeds. Despite this, Strategy Analytics warns that industry consolidation will be required to counteract oversupply and intense pricing competition. Stephen Entwistle, VP of the Strategic Technologies notes: "Following the telecom industry meltdown a couple of years back, Capex budgets were slashed, and price became the primary competitive weapon for the numerous fiber optic device companies."

"The market for fiber optic devices is there and it is growing. However, the IC industry is in a poor state. For profitability to return, what is needed is not only growing demand, but some consolidation and stability among IC suppliers."